



House of Representatives

General Assembly

File No. 584

February Session, 2016

House Bill No. 5533

House of Representatives, April 12, 2016

The Committee on Judiciary reported through REP. TONG of the 147th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE TIME PERIOD FOR FUNDS TO ESCHEAT TO THE STATE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 3-57a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2016*):

3 (a) The following property held or owing by a banking or financial
4 organization is presumed abandoned unless the owner thereof is
5 known to be living by an officer of such organization:

6 (1) Any demand or savings deposit made in this state with a
7 banking organization, together with any interest or dividend thereon,
8 excluding any charges that lawfully may be withheld, unless the
9 owner has, within [three] seven years: (A) Increased or decreased the
10 amount of the deposit, or presented the passbook or other similar
11 evidence of the deposit for the crediting of interest; or (B)
12 corresponded in writing with the banking organization concerning the
13 deposit; or (C) otherwise indicated an interest in the deposit as

14 evidenced by (i) a memorandum on file with the banking organization
15 or (ii) the fact that the Internal Revenue Service Form 1099 sent from
16 the banking organization to the owner is not returned to the banking
17 organization by the United States Postal Service.

18 (2) Any matured time deposit made in this state with a banking
19 organization, together with any interest or dividend thereon,
20 excluding any charges that lawfully may be withheld, unless, within
21 [three] seven years or, if the terms of the deposit account contract
22 provide that the time deposit will be renewed unless the banking
23 institution receives instructions to the contrary from the owner, within
24 [three] seven years plus such additional time as is necessary to allow
25 the renewed time deposit to reach maturity, the owner has: (A)
26 Increased or decreased the amount of the deposit, or presented the
27 passbook or other similar evidence of the deposit for the crediting of
28 interest, or (B) corresponded in writing with the banking organization
29 concerning the deposit, or (C) otherwise indicated an interest in the
30 deposit as evidenced by (i) a memorandum on file with the banking
31 organization or (ii) the fact that the Internal Revenue Service Form
32 1099 sent from the banking organization to the owner is not returned
33 to the banking organization by the United States Postal Service.

34 (3) Any funds paid in this state toward the purchase of shares or
35 other interest in a financial organization or any deposit made
36 therewith, and any interest or dividends thereon, excluding any
37 charges that lawfully may be withheld, unless the owner has within
38 [three] seven years: (A) Increased or decreased the amount of the
39 investment or deposit, or presented an appropriate record for the
40 crediting of interest or dividends thereon; or (B) corresponded in
41 writing with the financial organization concerning the investment or
42 deposit; or (C) otherwise indicated an interest in the funds as
43 evidenced by (i) a memorandum on file with the financial organization
44 or (ii) the fact that the Internal Revenue Service Form 1099 sent from
45 the financial organization to the owner is not returned to the financial
46 organization by the United States Postal Service.

47 (4) Any sum payable on checks certified in this state or on written
48 instruments issued in this state on which a banking or financial
49 organization is directly liable, including, but not limited to, money
50 orders, drafts and traveler's checks, which has been outstanding for
51 more than [three] seven years from the date payable, or from the date
52 of its issuance if payable on demand, unless the owner has within such
53 [three] seven years corresponded in writing with the banking or
54 financial organization concerning it, or otherwise indicated an interest
55 as evidenced by (i) a memorandum on file with the banking or
56 financial organization or (ii) the fact that the Internal Revenue Service
57 Form 1099 sent from the banking or financial organization to the
58 owner is not returned to the banking or financial organization by the
59 United States Postal Service.

60 (5) Any funds or other personal property reposing in or removed
61 from a safe deposit box or any other safekeeping repository in this
62 state on which the lease or rental period has expired owing to
63 nonpayment of rent or other reason, which have been unclaimed by
64 the owner for more than five years from the date on which the lease or
65 rental period expired.

66 (b) With respect to any funds subject to the provisions of
67 subdivisions (1), (2) and (3) of subsection (a) of this section which are
68 held or owing for purposes of a self-employed retirement plan or an
69 individual retirement account, established in accordance with the
70 applicable provisions of the Internal Revenue Code and federal
71 regulations related thereto, such funds shall be presumed abandoned
72 in accordance with said subdivisions (1), (2) and (3), provided in no
73 event shall such presumption of abandonment be applicable to such
74 funds prior to the end of a period of six months immediately following
75 the date on which distribution of funds under any such plan, to the
76 person for whose benefit such funds have been contributed, is required
77 to commence under said provisions of the Internal Revenue Code and
78 related regulations.

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| This act shall take effect as follows and shall amend the following sections: |
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| Section 1 | <i>July 1, 2016</i> | 3-57a |
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JUD *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 17 \$ | FY 18 \$ |
|-----------------|---------------------|--------------|--------------|
| Treasurer | GF - Revenue Impact | 20.6 million | 20.6 million |
| Treasurer | GF - Revenue Loss | Potential | Potential |

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill extends, from three years to seven years, the period of time before which certain assets are escheated to the state as unclaimed property. This shifts the timing of receipt of certain escheated assets to the General Fund from FY 17, FY 18, FY 19, and FY 20 to FY 21, FY 22, FY 23 and FY 24, respectively. It is estimated that the annualized revenue impact of this shift is approximately \$20.6 million.¹

To the extent that an extended dormancy period results in claims on property prior to it being escheated to the state, this could result in a General Fund revenue loss.

The Out Years

The shift of timing in the receipt of revenue is limited to FY 17 through FY 24.

Sources: Core-CT Financial Accounting System Revenue Actuals

¹ The estimate is based on the average annual amount of revenue collected from escheated assets from banks or financial institutions using the current three-year dormancy period from FY 05 through FY 15.

OLR Bill Analysis**HB 5533*****AN ACT CONCERNING THE TIME PERIOD FOR FUNDS TO ESCHEAT TO THE STATE.*****SUMMARY:**

This bill extends, from three years to seven years, the dormancy period in which certain funds held by financial institutions are deemed abandoned and are escheated (i.e., ownership transfers) to the state as unclaimed property.

The bill applies to the following property:

1. demand, savings, or matured time deposits made with a bank in Connecticut, including any interest and dividend less allowed charges;
2. funds paid in Connecticut toward the purchase of shares or other interest in a financial organization or any deposit made with such organization, including any interest and dividend less allowed charges; and
3. amounts payable on checks certified in Connecticut or on written instruments issued in the state on which a bank or financial organization is directly liable, such as money orders, drafts, and traveler's checks;

If any of the above funds relate to a self-employed retirement plan or an individual retirement account, established in accordance with federal law, by law they must not be presumed abandoned any sooner than six months after the date on which distribution of the funds is required to begin under federal law.

The law, unchanged by the bill, allows a five-year period before

funds or personal property held in a safety deposit box, or similar safekeeping repository, escheat to the state as unclaimed property.

EFFECTIVE DATE: July 1, 2016

FUNDS HELD OR OWED BY A BANKING OR FINANCIAL ORGANIZATION

By law, property held or owing by a banking or financial organization is generally presumed abandoned after a specified dormancy period, unless an officer of the organization knows that the owner is alive or during the specified period the owner:

1. increased or decreased the amount of the investment or deposit, or presented an appropriate record for the crediting of dividends or interest (this does not apply to funds related to certified checks or other instruments for which the financial institutions are directly liable); or
2. corresponded in writing with the banking organization concerning the deposit or funds; or
3. otherwise indicated an interest in the deposit or funds as evidenced by (a) a memorandum on file with the banking organization or (b) the fact that the Internal Revenue Service Form 1099 sent from the banking organization to the owner is not returned to the banking organization by the U.S. Postal Service.

COMMITTEE ACTION

Judiciary Committee

Joint Favorable

Yea 28 Nay 17 (03/30/2016)